

**FEATURING BEST PRACTICES  
OF STATE AGENCIES AND INSTITUTIONS OF THE  
COMMONWEALTH OF VIRGINIA**

**Debt Management Division**

**Receiving Bids Electronically  
for Competitive Bond Offerings**

**Department of the Treasury  
implemented this best practice  
in August 1998**

*Qualifying under the  
Best Practices catalogue*

3 Provide Capabilities  
31 Manage resources and capabilities  
312 Deliver products and services to customers

**Best Practice Summary  
(how it works, how you measure it)**

Bonds are sold either through a negotiated sale or competitive sale. Due to the long-term success and history of its bond programs, superior bond ratings, moderate sized deals and familiarity in the market, Virginia typically sells its bonds via competitive sale. In a competitive sale, bids are received on a certain date and time with the bonds being awarded to the highest bidder (or bidder with the lowest interest cost). Prior to the advent of the Internet and related technologies, physical (i.e., paper) bids were received at the office of the issuer or at the office of its financial advisor. With a significant number of Virginia's bidders being investment banks located in New

York or other major money center cities, the use of physical bids meant that the bidders were required to solicit a local person to submit the bid. In some cases, this meant not receiving a bid when a suitable person could not be found. In addition, the determination of the exact time was problematic, as there was no standard clock by which all bidders could determine the time remaining to submit their bid. Most bidders would request that the person chosen to submit the bid received and recorded the bid on the bid form over the phone at the issuer's office. The bid was received over the phone from a trader on the desk at the investment bank's home office. This resulted in lost bids as traders waited too long to furnish the final bid so that the bid submitter had sufficient time to record the bid on the form and walk the bid to the specific bid location. In summary, physical bids were problematic at best.

With the advent of Internet technologies, other mediums developed through which bids could be submitted electronically using the Internet or related technologies. In August 1998, the Commonwealth of Virginia became the second state and one of the first issuers to accept bids electronically using the Bloomberg system. In calendar 1999, the Commonwealth began using the Dalcomp/Parity BiDCOMP system. Both systems are regarded as proven and reliable systems by the market. The Commonwealth has found that electronic bidding eliminates the problems associated with physical bids and may result in more bids being submitted for Commonwealth bond transactions. More competition may result in lower interest costs for the citizens of the Commonwealth.

## **Impact on the Process Organizational Performance (OUTCOMES)**

While difficult to quantify, the Commonwealth has found that electronic bidding eliminates the problems associated with physical bids and may result in more bids being submitted for Commonwealth bond transactions. More competition may result in lower interest costs for the citizens of the Commonwealth.

## **Best Practice Qualification**

The Commonwealth was recognized as a pioneer in the use of electronic bids. Many issuers throughout the country are now trying the new methodology. Electronic bidding has been successful in the Commonwealth.

## **For Additional Information**

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